FDI in oil explorations

2925. SHRI NANDI YELLAIAH: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that India has a hydro-carbon resource base of 30 billion tonnes or 225 barrels of oil and oil equivalent gas potentialities;

(b) if so, the detailed schemes proposed to be undertaken these massive internal portentialities of oil and gas;

(c) whether Government are proposing to offer 100 per cent Foreign Direct Investment in oil and gas exploration;

(d) if so, the various conditions which Government propose to impose for Foreign Direct Investment; and

(e) the details of benefits which our country could gain by such 100 per cent Foreign Direct Investment in oil and gas exploration without weakening our self exploring technical potentialities?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) and (b) Yes Sir, the prognosticated hydrocarbon resources in Indian sedimentary basins are estimated to be around 28 billion tonnes, which are likely to increase by another 4 billion tonnes consequent upon the discoveries made in deep water areas of the East Coast. So far, 8.2 billion tonnes of oil plus oil equivalent of gas have been established by Oil and Natural Gas Corporation Ltd. (ONGC), Oil India Ltd. (OIL) and private/joint venture companies. The Tenth Five Year Plan (2002-07), envisaged exploration of 35 per cent of the total Indian sedimentary basin area *i.e.* 3.14 million square kilometres. The Government of India had offered 20 exploration blocks in the fifth round of the New Exploration Licensing Policy (NELP) on 4th January, 2005 to boost exploration activities in India. Of these, the Government has already approved award of 18 blocks. Following implementation of fifth round of NELP, about 36 per cent of Indian sedimentary area would have come under exploration.

(c) Under NELP, 100 per cent Foreign Direct Investment (FDI) in oil and gas exploration is allowed.

(d) The main terms and conditions for offering blocks under NELP to the investors are as under:—

- The possibility of seismic option in the first phase of the exploration period.
- Upto 100% participation by foreign companies.
- No minimum expenditure commitment during exploration period.
- No signature, discovery or production bonus.
- No mandatory State participation.
- No carried interest of National Oil Companies (NOCs).
- Income Tax Holiday for seven years from start of commerical production.
- No customs duty on imports required for petroleum operations.
- Biddable cost recovery limit upto 100%.
- Option to amortise exploration and drilling expenditure over a period of 10 years from first commercial production.
- Sharing of profit petroleum as per biddable tranches based on the pre-tax investment multiple achieved by the contractor.
- Royalty for onland areas at the rate of 12.5% for crude oil and 10% for natural gas. For offshore areas, royalty payable at the rate of 10% for oil and natural gas. Royalty for discoveries in deep water areas beyond 400 m iso-bath payable at half the applicable rate for offshore areas for the first seven years of commercial production.
- Fiscal stability for the contract period.
- Freedom to the contractor for marketing of oil and gas in the domestic market.
- Provision for assignment.
- Arbitration and Conciliation Act, 1996, based on UNCITRAL model, applicable.

(e) The country has over half of its area unexplored or poorly explored requiring exploration risk capital, induction of state-of-art technologies, new geological ideas and management practices to discover hydrocarbon resources. Participation by foreign companies and domestic private companies will help in achieving the objective of complete appraisal of the Indian sedimentary basins in a timely manner. The policy of the Government for inviting private participation in exploration has started yielding rich dividends as a number of hydrocarbon discoveries have been made including large gas discoveries in the Krishna-Godavari deep water blocks and large oil discoveries in Rajasthan.

Alternative to Petrol and Diesel

2926. SHRI N.R. GOVINDARAJAR: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether any research is being conducted at national and international level to find out an alternative fuel to petroleum and diesel;

(b) if so, the details thereof; and

(c) the success achieved in this regard so far?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) Yes, Sir. Research and Development (R&D) institutions and academic institutions are undertaking research for finding viable alternative fuels to petroleum and diesel. At the national level, most such research has been in areas of bio-fuels like ethanol and bio-diesel. In addition, research and experiments involving the use of hydrogen mixed with Compressed Natural Gas (CNG), and research and development activities for tapping Coal Bed Methane (CBM), natural gas through Underground Coal Gasification (UCG), and accessing gas hydrates, are being undertaken.

(b) and (c) In India, based on successful implementation of pilot projects, 5% ethanol-blended petrol programme is being implemented in the notified States and Union Territories. The field trials conducted by the oil marketing companies with bio-diesel blended diesel in the transportation sector have yielded satisfactory results.

CNG is being used extensively in the transportation sector in Delhi, Mumbai and some other major cities and its further use in other polluted